bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

City of Washington Court House
Fayette County

Regular Audit

For the Year Ended December 31, 2019
Fiscal Year Audited Under GAGAS: 2019

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OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Washington Court House
105 North Main Street
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of the City of Washington Court House, Fayette County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Washington Court House is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

February 09, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

City of Washington Court House
Fayette County
105 N. Main Street
Washington Court House, Ohio 43160

Members of City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Income Tax Levy Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during 2019, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis,* schedules of net pension liabilities and other post-employment benefit liabilities, pension and other post-employment benefit contributions listed in the table of contents to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
July 28, 2020

The discussion and analysis of the City of Washington Court House's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader to understand our performance.

Financial Highlights

Some of the City's financial highlights for the year ended December 31, 2019 include:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by $27,757,716.
- The City's total net position increased during the year by $3,097,414, or 13%.
- Total unrestricted net position deficit of $12,262,981 was primarily attributable to the City recognizing its proportionate share of net pension and OPEB liabilities under state-wide multiple employer retirement plans under GASB Statement Nos. 68 and 75.
- The City's total expenses were $16,878,855, a decrease of $1,575,005.
- Program revenues of $8,494,720 reduced the net cost of the City's functions to be financed from the City's general revenues to $8,384,135.
- The City's unassigned fund balance of the General Fund totaled $720,120 at year end, or 10% of General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Washington Court House's basic financial statements. The City of Washington Court House's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the basic financial statements, and 4) required supplementary schedules on pensions and OPEB.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses. The statement of net position presents information on all of the City's assets and deferred outflows of resources and the City's liabilities and deferred inflows of resources, with the difference between the two groups reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the recent fiscal year.

Both of the government-wide financial statements distinguish functions of the City of Washington Court House that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, community environment, public health and leisure time activities. The business-type activities include water and sewer operations.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements use the modified accrual basis of accounting and provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information may be useful in evaluating a government's near term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation which follows the fund financial statements.

The City of Washington Court House maintains 45 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Income Tax Levy Fund and Permanent Improvement Fund, which are considered to be major funds. Data from the other 42 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds- The City uses enterprise funds to account for its water and sewer operations. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities using the full accrual basis of accounting. The enterprise funds are used to report the same activities presented as business-type activities in the government-wide financial statements.

Fiduciary Funds- Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Statements

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions.

The statement of net position and the statement of activities include all assets, liabilities, deferred outflows and inflows of resources using the full accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

Table 1 provides a summary of the City's net position for 2019 compared to 2018:

Table 1

	Governmental Activities		Business-Type Activities		Total	
	2019	*Restated* 2018	2019	2018	2019	*Restated* 2018
Assets:						
Current and Other Assets	$ 10,130,056	$ 9,704,616	$ 1,946,760	$ 2,901,454	$ 12,076,816	$ 12,606,070
Capital Assets, Net	12,422,208	12,518,334	35,697,234	34,055,904	48,119,442	46,574,238
Total Assets	22,552,264	22,222,950	37,643,994	36,957,358	60,196,258	59,180,308
Deferred outflow of resources	5,248,605	2,913,705	955,987	460,987	6,204,592	3,374,692
Liabilities:						
Current and Other Liabilities	566,866	577,291	910,755	255,230	1,477,621	832,521
Long-Term Liabilities:						
Due Within One Year	1,194,520	1,130,223	793,959	1,992,202	1,988,479	3,122,425
Due in More than One Year:						
Net Pension Liability	12,506,633	8,120,311	2,686,648	1,510,156	15,193,281	9,630,467
Net OPEB Liability	3,087,065	6,777,521	1,210,691	989,772	4,297,756	7,767,293
Other Long-Term Amounts	9,495,719	9,859,966	3,951,522	3,325,264	13,447,241	13,185,230
Total Liabilities	26,850,803	26,465,312	9,553,575	8,072,624	36,404,378	34,537,936
Deferred inflow of resources	2,197,956	2,896,017	40,800	460,745	2,238,756	3,356,762
Net Position:						
Net investment in capital assets	3,361,861	3,038,104	31,280,156	29,022,338	34,642,017	32,060,442
Restricted	5,378,680	5,328,454	-	-	5,378,680	5,328,454
Unrestricted (deficit)	(9,988,431)	(12,591,232)	(2,274,550)	(137,362)	(12,262,981)	(12,728,594)
Total Net Position	$ (1,247,890)	$ (4,224,674)	$ 29,005,606	$ 28,884,976	$ 27,757,716	$ 24,660,302

The net pension liability (NPL) is one of the largest liabilities reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. Another significant liability reported by the City is related to other postemployment benefits (OPEB) and is reported pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Total assets increased by $1,015,950, or 2%. The majority of the increase occurred in capital assets, with the wastewater treatment plan project in progress during the year. Meanwhile, total liabilities increased by $1,866,442, or 5%. Long-term liabilities increased by approximately $1.2 million, driven by $5.6 million increase in the City's proportionate share of net pension liabilities. The increase was due to pension plan investments performing lower than projected, which also led to the increase in deferred outflows of resources. This increase was partially offset by decreases in bonds outstanding, due to principal payments made during the year and the maturing of the Series 2012 Water System Bonds, and decreases in the net OPEB liabilities. The Ohio Police and Fire Pension Fund (OP&F) changes its retiree health care plan from a traditional group insurance plan to a monthly stipend model, significantly reducing the net OPEB liability.

As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net position ($34,642,017 of the total $27,757,716) reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that are still outstanding and related deferred outflows of resources. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to restrictions on how they can be used. The remaining balance was a deficit of $12,262,981 which is attributable to the recognition of the City's proportionate share of net pension and OPEB liabilities reported in accordance with under GASB Statement Nos. 68 and 75. If the net pension and OPEB liabilities and related deferrals were excluded, the unrestricted net position reported by the City would be a positive $2,100,650. As the operation of the state-wide retirement systems are outside the control of the City and varies significantly from year to year based on the performance of investments, it's important to acknowledge the significant recognition of the net pension and OPEB liabilities has on the City's reported net position.

The City's total net position increased from $24,660,302 in 2018 to $27,757,716 in 2019, a change of $3,097,414 or 13%.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2018 and 2019.

Table 2

	Governmental Activities		Business-Type Activities		Total	
		Restated				*Restated*
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	$ 1,519,583	$ 1,423,100	$ 5,851,631	$ 5,709,069	$ 7,371,214	$ 7,132,169
Operating Grants/Contributions	266,185	278,267	50,084	26,035	316,269	304,302
Capital Grants/Contributions	807,237	824,826	-	-	807,237	824,826
General Revenues:						
Municipal Income Taxes	8,099,164	7,607,428	-	-	8,099,164	7,607,428
Property and Other Taxes	538,175	538,854	-	-	538,175	538,854
Payment in Lieu of Taxes	1,126,159	1,113,532	-	-	1,126,159	1,113,532
Intergovernmental	1,070,435	1,017,315	-	-	1,070,435	1,017,315
Investment Earnings	103,876	23,433	31,848	7,793	135,724	31,226
Other	390,757	139,474	121,135	131,628	511,892	271,102
Total Revenues	13,921,571	12,966,229	6,054,698	5,874,525	19,976,269	18,840,754
Program Expenses:						
Security of Persons & Property	1,312,873	4,962,051	-	-	1,312,873	4,962,051
Public Health Services	501,952	459,536	-	-	501,952	459,536
Leisure Time Activities	33,814	31,999	-	-	33,814	31,999
Community Environment	2,782,499	2,030,400	-	-	2,782,499	2,030,400
Transportation	1,774,524	1,837,238	-	-	1,774,524	1,837,238
General Government	4,239,294	3,589,842	-	-	4,239,294	3,589,842
Interest and Fiscal Charges	299,831	326,816	-	-	299,831	326,816
Water	-	-	2,668,586	2,333,141	2,668,586	2,333,141
Sewer	-	-	3,265,482	2,882,837	3,265,482	2,882,837
Total Expenses	10,944,787	13,237,882	5,934,068	5,215,978	16,878,855	18,453,860
Change in Net Position	2,976,784	(271,653)	120,630	658,547	3,097,414	386,894
Net Position, beginning of year	(4,224,674)	(3,953,021)	28,884,976	28,226,429	24,660,302	24,273,408
Net Position, end of year	$ (1,247,890)	$ (4,224,674)	$ 29,005,606	$ 28,884,976	$ 27,757,716	$ 24,660,302

Governmental Activities

The most significant program expenses for the City are Security of Persons and Property, General Government, Transportation, and Community Environment. These programs account for 92% of the total governmental activities. Security of Persons and Property, which accounts for 12% of the total, represents costs associated with the operation of the Police Department and costs associated with providing firefighting and emergency medical services. General Government, which accounts for 39% of the total, represents costs associated with the general administration of city government, including the City Council, City Manager, City Auditor and Municipal Court. Transportation, which accounts for 16% of the total, represents costs associated with streets and their upkeep. Community Environment, which accounts for 25% of the total, represents costs associated with developing and improving the downtown.

Funding for the most significant programs indicated is from income taxes, property taxes and payments in lieu of taxes, and intergovernmental. The income tax revenue for 2019 was $8,099,164. Of the $13,921,571 in total revenues, income tax accounts for 58% of that total. The property tax revenue and payments in lieu of property taxes for 2019 was $1,664,334 or 12% of total revenues. The intergovernmental revenue for 2019 was $1,070,435 or 8% of total revenue.

Total governmental activities revenue increased by approximately $955,000, or 7%. Growth in income taxes accounted for $492,000 of the total increase, due to a better local economy, as Fayette County's unemployment rate decreased from 4.2% in December 2018 to 3.4% in December 2019. Another $251,000 is attributable to increases in other revenue as the City received additional workers' compensation rebates, increased administrative reimbursements from the Water and Sewer fund by $145,000, and began selling vehicles that have been towed and unclaimed.

Total governmental activities' expenses decreased by approximately $2.3 million, or 17%. The significant decline in security of persons and property expenses was primarily due to OP&F's change in the retiree health care benefits from a traditional group insurance plan to a monthly stipend model, significantly reducing the net OPEB liability and recognizing $4.1 million in *negative* OPEB expense. This decrease was partially offset by increases in pension expense from $810,000 in 2018 to $2.2 million in 2019.

Table 3 for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by income and property tax revenues and unrestricted intergovernmental revenue.

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Security of persons and property	$ 1,312,873	$ 1,178,587	$ 4,962,051	$ 4,765,403
Public health services	501,952	404,617	459,536	343,535
Leisure time activities	33,814	33,814	31,999	23,611
Community environment	2,782,499	2,779,979	2,030,400	2,030,400
Transportation	1,774,524	968,967	1,837,238	1,058,192
General government	4,239,294	2,685,987	3,589,842	2,167,402
Interest on long-term debt	299,831	299,831	326,816	326,816
Total Expenses	$ 10,944,787	$ 8,351,782	$ 13,237,882	$ 10,715,359

It should be noted that only 24% of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants and other contributions. As shown by the total net costs of $8,351,782, the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes and property taxes.

Business-Type Activities

The City's major business-type activities include water and sewer operations. The Water Fund's operating income for 2019 was $263,620, a decrease from the prior year of $269,765. The Sewer Fund had an operating loss of $119,923, a decrease over prior year's operating income by $385,200. These funds were analyzed in more detail under Proprietary Funds section below.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. These funds are accounted for by using the modified accrual basis of accounting.

The General Fund is the chief operating fund. At the end of 2019, the total fund balance for the General Fund was $1,637,308, of which $720,120 was unassigned. During the current year, the fund balance of the City's General Fund increased by $272,128, or by 20%. Total revenue increased by 7%, while total expenditures increased by 17%. Two of the biggest drivers for the increase was due to increases in income taxes and a $145,000 increase in administration reimbursements from the Water and Sewer Funds. Increases in expenditures is attributable to increases in salaries and benefits associated with inflationary increases and additional hires in administration and the Municipal Court and the purchase of real estate adjacent to an industrial park for additional access and future development, which was financed with $450,000 in Series 2019 real estate acquisition bonds.

The Income Tax Levy fund accounts for the majority of the collections from the 0.5% additional income tax rate that went into effect on January 1, 2016 (4% of the 0.5% income tax rate is dedicated for economic development and accounted for in a separate economic development fund). The Fund ended the year with a fund balance of $228,075 to be used for public safety, cemetery operations and street infrastructure. The decrease in fund balance was due additional street and alley repairs, patching potholes, replacing street signs and purchasing more road salt.

The Permanent Improvement Fund experienced a decrease in fund balance of 13% during the year due to increases in capital spending for road repairs, vehicles and other equipment, and a new splash park in Eyman Park

Proprietary Funds

The City's major proprietary funds are the Water Fund and the Sewer Fund. The City provides water and sewer services to City residents. Net position in the Water Fund increased by $239,266, or 2%, which was lower than the prior year increase of $472,948, due to increases in pension expenses associated with the increase net pension liabilities and hiring of additional personnel. Net position in the Sewer Fund decreased by $118,636, or 1%. This is due to a combination of hiring of additional personnel, increases in pension expenses and sludge hauling expenses associated with the preparation of wastewater treatment plant construction project.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a budget basis of cash receipts (revenues), and disbursements and encumbrances (expenditures). The most significant budgeted fund is the General Fund. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund.

The original and final budgeted revenues were $6,791,197 and $7,053,197, respectively, an increase of 4%, to account for additional interest revenue and workers' compensation rebates. Actual revenues were $6,905,284, primarily due to lower than expected income taxes.

The original and final budgeted expenditures were $7,455,281 and $8,111,494, respectively, an increase of 9%, to accounts for additional hires and purchase of real estate. Actual expenditures were $7,620,715, $490,779 less than the final budget due to conservative budgeting.

Capital Assets and Debt Administration

The City's net investment in capital assets for governmental and business-type activities as of December 31, 2019, amounts to $34,642,017 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress.

Total capital assets for governmental activities of the City of Washington Court House for the year 2019 were $12,422,208, or $96,126 lower than in 2018. Capital additions from a purchase of real estate for industrial park access and future development, completion of Washington Avenue construction, a splash park in Eyman Park, and other purchases of equipment and vehicles were offset by depreciation expense of $1,189,428.

The increase in capital assets for business-type activities of $1,641,330 to $35,697,234 as of December 31, 2019 was due to continued work on the new wastewater plan improvements, offset by annual depreciation expense.

Additional information concerning the City's capital assets can be found in Note 6 of the notes to the basic financial statements.

As of December 31, 2019, the City of Washington Court House had $13,121,910 (excluding premiums) in bonds, long-term notes, leases and loans outstanding, with $1,638,929 due within one year.

Outstanding general obligation bonds consist of street, safety building, fire equipment, real estate, and wastewater treatment plant improvement issues. General obligation bonds are direct obligations of the City for which its full faith, and credit are pledged.

In 2019, the City issued $450,000 in real estate acquisition bonds to finance the purchase of real estate adjacent to an industrial park for additional access and future development. These direct placement bonds bear interest of 3.89% and mature in 2039.

In addition to the bonds, notes and loans, the City's long-term obligations include compensated absences, net pension liabilities and net OPEB liabilities. Additional information concerning the City's debt can be found in Note 8 of the notes to the basic financial statements.

Current Known Facts and Conditions

The City has experienced some local economic stability for the last couple years. This has been aided by the City's passage of a ½ percent increase in the income tax rate that it began collecting during 2016. Also, the City increased its sewer rates by 10% for the first three years, beginning in 2017, 5% for the next two years, and then 2% thereafter, to help finance the wastewater plant improvements.

The economy of the City experienced solid growth in 2019, as demand for labor and home sales showed strength for the entire year. These trends were continuing in January and February 2020 before the onset of the COVID-19 pandemic and related emergency declarations made in March 2020. Public anxiety caused by the COVID-19 virus outbreak and the need for social distancing have produced local economic challenges.

The most profound economic threat with potential long-term damage from the COVID-19 pandemic is from the local hospital. Fayette Memorial Hospital faced challenges during prosperous times. The need to prepare for the risks of treating COVID-19 patients, combined with the temporary elimination of several profit producing hospital services, has placed further strain on the financial condition of the rural hospital. The hospital is a significant generator of local income taxes and a significant utility of the City. A reduction of hospital services or closure would not only financially impact the City directly, it could also influence expansion plans of existing industries and industrial recruitment.

However, there are some signs of economic strength. Income tax filings have shown signs of stability, with several area large employers are seeing increased demand and the need for hiring, namely Sugar Creek (meat processing), Walmart Distribution (grocery distribution), Wingate Packing (consumer food packaging), Red Collar (pet food), Kroger (grocery), and Walmart (grocery).

While challenges remain for many local businesses, those deemed essential have been able to sustain their operations with take-out, drive-thru and curbside pickup options. Some businesses that were required to temporarily close have taken the opportunity to remodel or expand their facilities.

The City has taken steps to try and mitigate anticipated revenue losses, such as attrition without rehiring and the delaying of planned projects and maintenance, and will explore any and all funding opportunities as they become available at both the Federal and State levels.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, 105 N. Main Street, Washington C.H., Ohio 43160.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	$ 5,237,273	$ 1,570,137	$ 6,807,410
Cash in segregated accounts	41,949	-	41,949
Receivables:			
Property taxes	484,953	-	484,953
Income taxes	1,812,051	-	1,812,051
Payment in lieu of taxes	1,125,000	-	1,125,000
Accounts	36,420	595,673	632,093
Loans, net	76,812	-	76,812
Intergovernmental	617,234	-	617,234
Special assessments	98,516	119,376	217,892
Prepaid items	28,122	82,521	110,643
Supplies inventory	71,726	79,053	150,779
Internal balances	500,000	(500,000)	-
Nondepreciable capital assets	1,598,551	5,841,037	7,439,588
Depreciable capital assets, net	10,823,657	29,856,197	40,679,854
Total assets	22,552,264	37,643,994	60,196,258
Deferred Outflows of Resources			
Deferred charges on refunding	433,430	-	433,430
Pensions	3,809,044	828,667	4,637,711
OPEB	1,006,131	127,320	1,133,451
Total deferred outflows of resources	5,248,605	955,987	6,204,592
Liabilities			
Accounts payable	97,311	802,740	900,051
Accrued wages payable	259,678	57,438	317,116
Intergovernmental payable	113,916	26,232	140,148
Refundable advance	60,700	-	60,700
Accrued interest payable	35,261	24,345	59,606
Noncurrent liabilities:			
Due within one year	1,194,520	793,959	1,988,479
Due in more than one year:			
Net pension liability	12,506,633	2,686,648	15,193,281
Net OPEB liability	3,087,065	1,210,691	4,297,756
Other amounts due in more than one year	9,495,719	3,951,522	13,447,241
Total liabilities	26,850,803	9,553,575	36,404,378
Deferred Inflows of Resources			
Property taxes and payment in lieu taxes	1,595,000	-	1,595,000
Pensions	342,212	37,515	379,727
OPEB	260,744	3,285	264,029
Total deferred inflows of resources	2,197,956	40,800	2,238,756
Net Position			
Net investment in capital assets	3,361,861	31,280,156	34,642,017
Restricted for:			
Capital projects	1,477,439	-	1,477,439
Debt service	1,307,735	-	1,307,735
Cemetery operations	512,382	-	512,382
Public safety	579,899	-	579,899
Streets	811,800	-	811,800
Other purposes	689,425	-	689,425
Unrestricted (deficit)	(9,988,431)	(2,274,550)	(12,262,981)
Total net position	$ (1,247,890)	$ 29,005,606	$ 27,757,716

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Activities
Year Ended December 31, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Functions/Programs							
Governmental activities:							
Security of persons and property	$ 1,312,873	$ -	$ 132,486	$ 1,800	$ (1,178,587)	$ -	$ (1,178,587)
Public health services	501,952	97,335	-	-	(404,617)	-	(404,617)
Leisure time activities	33,814	-	-	-	(33,814)	-	(33,814)
Community environment	2,782,499	-	2,520	-	(2,779,979)	-	(2,779,979)
Transportation	1,774,524	120	-	805,437	(968,967)	-	(968,967)
General government	4,239,294	1,422,128	131,179	-	(2,685,987)	-	(2,685,987)
Interest on long-term debt	299,831	-	-	-	(299,831)	-	(299,831)
Total governmental activities	10,944,787	1,519,583	266,185	807,237	(8,351,782)	-	(8,351,782)
Business-type activities:							
Water	2,668,586	2,772,910	6,413	-	-	110,737	110,737
Sewer	3,265,482	3,078,721	43,671	-	-	(143,090)	(143,090)
Total business-type activities	5,934,068	5,851,631	50,084	-	-	(32,353)	(32,353)
Total	$ 16,878,855	$ 7,371,214	$ 316,269	$ 807,237	(8,351,782)	(32,353)	(8,384,135)
General revenues:							
Taxes:							
Income taxes					8,099,164	-	8,099,164
Property taxes					538,175	-	538,175
Payment in lieu of taxes					1,126,159	-	1,126,159
Intergovernmental					1,070,435	-	1,070,435
Investment earnings					103,876	31,848	135,724
Miscellaneous					390,757	121,135	511,892
Total general revenues					11,328,566	152,983	11,481,549
Change in net position					2,976,784	120,630	3,097,414
Net position beginning of year, *restated*					(4,224,674)	28,884,976	24,660,302
Net position end of year					$ (1,247,890)	$ 29,005,606	$ 27,757,716

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	$ 1,017,952	$ 195,563	$ 560,678	$ 3,463,080	$ 5,237,273
Cash in segregated accounts	25,877	-	-	16,072	41,949
Receivables:					
Property taxes	361,135	-	-	123,818	484,953
Income taxes	933,052	440,761	233,263	204,975	1,812,051
Payment in lieu of taxes	-	-	-	1,125,000	1,125,000
Accounts	36,420	-	-	-	36,420
Loans, net	-	-	-	76,812	76,812
Intergovernmental	239,674	-	-	377,560	617,234
Special assessments	98,516	-	-	-	98,516
Advances to other funds	500,000	-	-	-	500,000
Prepaid items	23,876	-	-	4,246	28,122
Supplies inventory	-	-	-	71,726	71,726
Total assets	$ 3,236,502	$ 636,324	$ 793,941	$ 5,463,289	$ 10,130,056
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	$ 61,499	$ 13,203	$ 5,669	$ 16,940	$ 97,311
Accrued wages payable	147,389	91,654	-	20,635	259,678
Intergovernmental payable	102,167	3,574	-	8,175	113,916
Refundable advance	-	-	-	60,700	60,700
Total liabilities	311,055	108,431	5,669	106,450	531,605
Deferred Inflows of Resources:					
Property taxes and payment in lieu taxes	350,000	-	-	1,245,000	1,595,000
Unavailable revenue	938,139	299,818	158,672	454,569	1,851,198
Total deferred inflows of resources	1,288,139	299,818	158,672	1,699,569	3,446,198
Fund Balances:					
Nonspendable	535,521	-	-	75,972	611,493
Restricted	-	228,075	629,600	3,567,235	4,424,910
Committed	-	-	-	14,063	14,063
Assigned	381,667	-	-	-	381,667
Unassigned	720,120	-	-	-	720,120
Total fund balances	1,637,308	228,075	629,600	3,657,270	6,152,253
Total liabilities, deferred inflows of resources and fund balances	$ 3,236,502	$ 636,324	$ 793,941	$ 5,463,289	$ 10,130,056

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

Total governmental fund balances	$	6,152,253
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		12,422,208
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:		
Income taxes receivable		1,232,607
Intergovernmental and other receivables		603,638
Delinquent property taxes		14,953
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds		(7,795,000)
Unamortized bond premiums		(788,945)
Lease/purchase agreement		(350,851)
Compensated absences		(1,196,462)
Accrued interest on long-term debt		(35,261)
OPWC loan		(558,981)
Deferred outflows of resources from losses on refunding are amortized over the life of the bonds and are not reported in the funds.		433,430
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred outflows - pension		3,809,044
Deferred inflows - pension		(342,212)
Net pension liability		(12,506,633)
Deferred outflows - OPEB		1,006,131
Deferred inflows - OPEB		(260,744)
Net OPEB liability		(3,087,065)
Net position of governmental activities	$	(1,247,890)

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2019

	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	$ 410,629	$ -	$ -	$ 122,374	$ 533,003
Municipal income taxes	4,122,048	1,946,947	1,030,512	905,533	8,005,040
Intergovernmental	626,825	-	63,735	1,132,409	1,822,969
Charges for services	981,832	-	-	97,335	1,079,167
Fines, licenses and permits	410,043	-	-	280,441	690,484
Interest	96,112	-	-	7,764	103,876
Payment in lieu of taxes	-	-	-	1,126,159	1,126,159
Contributions and donations	-	-	-	2,520	2,520
Other	282,548	9,740	29,523	52,065	373,876
Total revenues	6,930,037	1,956,687	1,123,770	3,726,600	13,737,094
Expenditures:					
Current:					
Security of persons and property	2,635,349	1,456,635	-	139,229	4,231,213
Public health services	34,750	331,571	-	101,240	467,561
Leisure time activities	12,482	-	-	-	12,482
Community environment	986,720	-	-	680,818	1,667,538
Transportation	-	334,882	-	749,234	1,084,116
General government	3,002,632	36,334	-	915,354	3,954,320
Capital outlay	435,976	-	1,067,667	9,719	1,513,362
Debt service:					
Principal retirement	-	-	107,279	785,000	892,279
Interest and fiscal charges	-	-	39,410	289,895	329,305
Total expenditures	7,107,909	2,159,422	1,214,356	3,670,489	14,152,176
Excess (deficiency) of revenues over (under) expenditures	(177,872)	(202,735)	(90,586)	56,111	(415,082)
Other financing sources:					
General obligation bonds issued	450,000	-	-	-	450,000
Issuance of loans	-	-	-	50,000	50,000
Total other financing sources	450,000	-	-	50,000	500,000
Net change in fund balance	272,128	(202,735)	(90,586)	106,111	84,918
Fund balance, beginning of year, *restated*	1,365,180	430,810	720,186	3,551,159	6,067,335
Fund balance, end of year	$ 1,637,308	$ 228,075	$ 629,600	$ 3,657,270	$ 6,152,253

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2019

Net change in fund balances - total governmental funds		$	84,918
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:			
Capital asset additions	1,098,727		
Depreciation expense	(1,189,428)		(90,701)
In the statement of activities, loss on disposal of capital assets is reported whereas only proceeds from the sale, as applicable, are reported in the funds.			(5,425)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:			
Income taxes receivable	94,124		
Intergovernmental and other receivables	121,781		
Delinquent property taxes	5,172		221,077
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:			
Compensated absences	(153,273)		
Interest on long-term debt	1,870		
Change in deferred loss on refunding	(33,340)		
Change in bond premiums	60,944		(123,799)
Repayment of bond, note, and lease principal is an expenditure in the governmental funds, but the payments reduce long-term liabilities in the statement of net position.			892,279
The issuance of general obligation bonds and OPWC notes are recorded as other financing sources in the governmental funds, but are used to increase long-term debt in the statement of net position.			(500,000)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.			
Pension			835,380
OPEB			12,939
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension and OPEB expense in the statement of actvities.			
Pension			(2,168,142)
OPEB			3,818,258
Change in net position of governmental activities		$	2,976,784

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget (Non-GAAP) Basis
General Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	$ 400,000	$ 426,000	410,629	$ (15,371)
Municipal income taxes	4,270,000	4,270,000	4,114,993	(155,007)
Intergovernmental	563,125	572,125	606,995	34,870
Charges for services	960,100	960,100	981,832	21,732
Fines, licenses and permits	467,200	467,200	411,060	(56,140)
Interest	20,000	95,000	96,112	1,112
Other	110,772	262,772	283,663	20,891
Total revenues	6,791,197	7,053,197	6,905,284	(147,913)
Expenditures:				
Current:				
Security of persons and property	2,763,397	2,793,397	2,641,107	152,290
Public health services	35,000	35,000	34,750	250
Leisure time activities	24,100	24,100	12,482	11,618
Community environment	1,013,252	1,074,252	989,387	84,865
General government	3,619,532	3,746,745	3,507,013	239,732
Capital outlay	-	438,000	435,976	2,024
Total expenditures	7,455,281	8,111,494	7,620,715	490,779
Deficiency of revenues under expenditures	(664,084)	(1,058,297)	(715,431)	342,866
Other financing sources				
Issuance of bonds	-	450,000	450,000	-
Net change in fund balance	(664,084)	(608,297)	(265,431)	$ 342,866
Fund balance, beginning of year	1,186,428	1,186,428	1,186,428	
Prior year encumbrances appropriated	47,993	47,993	47,993	
Fund balance, end of year	$ 570,337	$ 626,124	$ 968,990	

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget (Non-GAAP) Basis
Income Tax Levy Fund
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	$2,100,000	$ 2,100,000	$ 1,943,868	$ (156,132)
Other	4,200	9,200	9,740	540
Total revenues	$2,104,200	$ 2,109,200	$ 1,953,608	$ (155,592)
Expenditures:				
Current:				
Security of persons and property	1,484,450	1,484,450	1,482,343	2,107
Public health services	348,668	348,668	334,415	14,253
Transportation	397,485	397,485	344,030	53,455
General government	30,000	36,400	36,334	66
Total expenditures	2,260,603	2,267,003	2,197,122	69,881
Net change in fund balance	(156,403)	(157,803)	(243,514)	$ (85,711)
Fund balance, beginning of year	407,698	407,698	407,698	
Prior year encumbrances appropriated	21,377	21,377	21,377	
Fund balance, end of year	$ 272,672	$ 271,272	$ 185,561	

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Net Position
Proprietary Funds
December 31, 2019

	Enterprise Funds			
	Water	Sewer	Nonmajor Enterprise Fund	Totals
Assets				
Current assets:				
Equity in pooled cash and investments	$ 443,859	$ 1,126,139	$ 139	$ 1,570,137
Receivables:				
Accounts	285,009	310,664	-	595,673
Special assessments	67,466	51,910	-	119,376
Advances to other funds	-	550,236	-	550,236
Prepaid items	35,664	46,857	-	82,521
Supplies inventory	79,053	-	-	79,053
Total current assets	911,051	2,085,806	139	2,996,996
Noncurrent assets:				
Nondepreciable capital assets	936,721	4,904,316	-	5,841,037
Depreciable capital assets, net	12,612,556	17,243,641	-	29,856,197
Total noncurrent assets	13,549,277	22,147,957	-	35,697,234
Total assets	14,460,328	24,233,763	139	38,694,230
Deferred outflows of resources				
Pensions	396,391	432,276	-	828,667
OPEB	61,108	66,212	-	127,320
Total deferred outflows of resources	457,499	498,488	-	955,987
Liabilities				
Current liabilities:				
Accounts payable	25,405	777,335	-	802,740
Accrued wages payable	30,195	27,243	-	57,438
Intergovernmental payable	12,038	14,194	-	26,232
Advances from other funds	1,050,236	-	-	1,050,236
Accrued interest payable	8,777	15,568	-	24,345
Loans payable	264,264	446,150	-	710,414
Compensated absences payable	38,023	45,522	-	83,545
Total current liabilities	1,428,938	1,326,012	-	2,754,950
Noncurrent liabilities:				
Compensated absences payable	127,687	117,171	-	244,858
Loans payable	136,490	3,570,174	-	3,706,664
Net pension liability	1,289,591	1,397,057	-	2,686,648
Net OPEB liability	581,132	629,559	-	1,210,691
Total noncurrent liabilities	2,134,900	5,713,961	-	7,848,861
Total liabilities	3,563,838	7,039,973	-	10,603,811
Deferred Inflows of Resources				
Pensions	18,007	19,508	-	37,515
OPEB	1,577	1,708	-	3,285
Total deferred inflows of resources	19,584	21,216	-	40,800
Net Position				
Net investment in capital assets	13,148,523	18,131,633	-	31,280,156
Unrestricted (deficit)	(1,814,118)	(460,571)	139	(2,274,550)
Total net position	$ 11,334,405	$ 17,671,062	$ 139	$ 29,005,606

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2019

	Enterprise Funds			
	Water	Sewer	Nonmajor Enterprise Fund	Totals
Operating revenues:				
Charges for services	$ 2,772,910	$ 3,078,721	$ -	$ 5,851,631
Other	116,309	4,826	-	121,135
Total operating revenues	2,889,219	3,083,547	-	5,972,766
Operating expenses:				
Personnel services	1,218,175	1,276,884	-	2,495,059
Contractual services	379,321	783,625	-	1,162,946
Supplies and materials	440,647	204,700	-	645,347
Other	271,695	340,143	-	611,838
Depreciation	315,761	598,118	-	913,879
Total operating expenses	2,625,599	3,203,470	-	5,829,069
Operating income (loss)	263,620	(119,923)	-	143,697
Non-operating revenues (expenses):				
Investment earnings	12,220	19,628	-	31,848
Interest expense and fiscal charges	(42,987)	(62,012)	-	(104,999)
Intergovernmental revenue	6,413	43,671	-	50,084
Total non-operating revenues (expenses)	(24,354)	1,287	-	(23,067)
Change in net position	239,266	(118,636)	-	120,630
Net position, beginning of year	11,095,139	17,789,698	139	28,884,976
Net position, end of year	$ 11,334,405	$ 17,671,062	$ 139	$ 29,005,606

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2019

	Enterprise Funds			
	Water	Sewer	Nonmajor Enterprise Fund	Totals
Cash flows from operating activities:				
Cash received from customers	$ 2,802,479	$ 3,091,455	$ -	$ 5,893,934
Cash payments for employee services and benefits	(934,823)	(1,029,535)	-	(1,964,358)
Cash payments to suppliers for goods and services	(819,572)	(1,036,555)	-	(1,856,127)
Cash payments for other operating expenses	(271,365)	(341,217)	-	(612,582)
Cash received from other operating revenue	76,836	35,957	-	112,793
Net cash from operating activities	853,555	720,105	-	1,573,660
Cash flows from noncapital financing activities:				
Intergovernmental revenue	6,413	43,671	-	50,084
Advances received from other funds	500,000	45,854	-	545,854
Repayment of advances to other funds	(45,854)	-	-	(45,854)
Net cash from noncapital financing activities	460,559	89,525	-	550,084
Cash flows from capital and related financing activities:				
Acquistion of capital assets	(182,439)	(1,638,641)	-	(1,821,080)
Proceeds from loan draws	-	1,322,554	-	1,322,554
Principal payments on bonds and loans	(1,023,060)	(933,006)	-	(1,956,066)
Interest paid on bonds, notes and loans	(32,788)	(97,005)	-	(129,793)
Net cash from capital and related financing activities	(1,238,287)	(1,346,098)	-	(2,584,385)
Cash flows from investing activities:			-	
Interest	12,220	19,628	-	31,848
Net cash from investing activities	12,220	19,628	-	31,848
Net change	88,047	(516,840)	-	(428,793)
Cash and pooled investments beginning of year	355,812	1,642,979	139	1,998,930
Cash and pooled investments end of year	$ 443,859	$ 1,126,139	$ 139	$ 1,570,137
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	$ 263,620	$ (119,923)	$ -	$ 143,697
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	315,761	598,118	-	913,879
Changes in assets, liabilities and deferred outflows and inflows:				
Receivables	(9,904)	43,865	-	33,961
Prepaid items	4,158	(8,066)	-	(3,908)
Supplies inventory	(4,152)	-	-	(4,152)
Accounts payable	4,878	(49,304)	-	(44,426)
Accrued wages	4,548	44	-	4,592
Intergovernmental payable	2,264	784	-	3,048
Compensated absences payable	51,855	22,047	-	73,902
Deferred outflows - pensions and OPEB	(250,605)	(273,794)	-	(524,399)
Deferred inflows - pensions and OPEB	(202,290)	(217,655)	-	(419,945)
Net pension and OPEB liabilities	673,422	723,989	-	1,397,411
Net cash from operating activities	$ 853,555	$ 720,105	$ -	$ 1,573,660
Schedule of non-cash capital and related financing activities:				
Capital assets from outstanding liabilities	$ -	$ 734,129		

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2019

	Custodial Fund
Assets	
Cash in segregated accounts	$ 37,645
Net Position	
Restricted for other governments and individuals	$ 37,645

See accompanying notes to the basic financial statements.

CITY OF WASHINGTON COURT HOUSE, OHIO
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended December 31, 2019

		Custodial Fund
Additions:		
Collection of fines, licenses and permits	$	870,650
Deductions:		
Distributions to other governments and individuals		874,120
Change in net position		(3,470)
Net position, beginning of year, restated		41,115
Net position, end of year	$	37,645

See accompanying notes to the basic financial statements.

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NOTE 1 - DESCRIPTION OF THE ENTITY

The City of Washington Court House (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a city manager form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, and other governmental services. In addition, the City provides basic utilities in the form of water services and waste water treatment.

As required by generally accepted accounting principles, the basic financial statements present the City of Washington Court House (the primary government) and any component units. The City considered potential component units for inclusion in the financial statements. In determining whether to include a government department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City. The City included no component units in the financial statements.

The City is associated with Carnegie Public Library, which is defined as a related organization (Note 14).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

Basis of Presentation

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

- ***General Fund*** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

- ***Income Tax Levy Fund*** – The Income Tax Levy Fund is used to account for the 0.5% voted income tax levy passed in 2015 restricted for maintaining and operating cemeteries, maintaining fire protection, police protection, detention facilities, emergency medical services, general contraction, and reconstruction, resurfacing and repairing street roads and bridges.

- ***Permanent Improvement Fund*** – The Permanent Improvement Fund is used to account for income taxes, grants, and loan proceeds used for various improvements of the City.

The other governmental funds of the City account for financing grants and other resources whose use is restricted to a particular purpose.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – ***continued***

Proprietary funds: Proprietary fund reporting focuses on changes in net position, financial position and cash flows. The City's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

- ***Water Fund*** – This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

- ***Sewer Fund*** – This fund accounts for the provision of sanitary sewer treatment to residential and commercial users located within the City.

Fiduciary fund: Fiduciary fund reporting focuses on changes in net position and financial position. The City has one custodial fund. The City's custodial fund account for assets that are held pending determination of their disposition from Municipal Court operations.

Measurement Focus

Governmental-wide financial statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

Fund financial statements: All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The fiduciary fund is reported using the economic resources measurement focus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and becomes available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means collected within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes and payments in lieu of taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: municipal income taxes, grants, state-levied shared taxes (including gasoline tax), fines and forfeitures, and investment earnings.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary fund statements of financial position for deferred charge on refunding, pension and other postemployment benefits (OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized until that time. For the City, deferred inflows of resources include property taxes and payments in lieu of taxes, unavailable revenue, pension and OPEB. Property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2019, but are intended to finance 2020 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after year-end). The deferred inflows of resources related to pension and OPEB are reported on the government-wide and proprietary fund statements of net position (see Notes 10 and 11).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Accounting and Control

Under Ohio law, City Council must adopt an appropriations budget by January 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Agency Funds. Budgets are adopted for each organizational unit by fund.

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original department budgets must be requested by the departmental management and approved through legal resolution by City Council, except in the travel transportation, materials and supplies, and contractual services and miscellaneous or other expenditure categories of each department.

Several budget modifications and supplemental appropriations were made during the year and each revised budget amount reported in the budget to actual comparisons includes all modifications and supplemental appropriations that were necessary.

The City maintains budgetary control by fund, department and object level. Ordinance does not permit expenditures and encumbrances to exceed appropriations for each fund. Unencumbered and unexpended appropriations lapse at year-end in all budgeted funds. Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the original and revised budget amounts shown in the budget-to-actual comparisons.

The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances at year-end as expenditures on the budgetary basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement as final reflects the amounts in the final amended official certificate of estimated resources issued during 2019.

Reconciliation of Budget Basis to GAAP Basis

While reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual - Budget (Non-GAAP Basis) is presented for the General Fund and Income Tax Levy Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
(c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – ***continued***

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and Income Tax Levy Fund:

		General Fund	Income Tax Levy
Net change in fund balance - GAAP Basis	$	272,128	(202,735)
Increase / (decrease):			
Due to revenues		(24,753)	(3,079)
Due to expenditures		(478,885)	(27,697)
Due to encumbrances		(33,921)	(10,003)
Net change in fund balance - Budget Basis	$	(265,431)	(243,514)

Cash and Investments

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2019, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks, money market accounts, the State Treasury Assets Reserve of Ohio (STAR Ohio), U.S. agencies securities and HH bonds. For purposes of the statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2019, which approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Receivables

Receivables at December 31, 2019 consist of property and income taxes, payments in lieu of taxes, consumer accounts (billings for user charged services, included unbilled utility services), loans, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full, except as noted below, including accounts receivables which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Loans receivable in the Nonmajor Governmental Funds represent low interest loans made by the City for community development projects and small businesses under the Community Development Block Grants (CDBG) program. The loans bear interest at annual rates ranging from 2 to 6 percent. The loans are to be repaid over periods ranging from 10 to 20 years. The City maintained an allowance at December 31, 2019 of $20,415 for doubtful collections.

Supplies Inventories

Supplies inventories are presented at cost on a first-in, first-out basis and are expensed when used. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when consumed.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and the expenditure/expense in the year in which the services are consumed.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of two hundred dollars. The City's infrastructure consists of streets, traffic signals, flood wall, park lighting, and water and sewer lines, valves and meters.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – ***continued***

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Machinery and Equipment	8 - 20 years
Vehicles	3 - 5 years
Infrastructure	25 years

Compensated Absences

The City follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

The entire compensated absences liability is reported on the government-wide financial statements. In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the retirement systems' fiduciary net position is not sufficient for payment of those benefits.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the retirement systems and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sanitary sewer services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are classified as non-operating.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers within governmental activities and within business type activities are eliminated on the government-wide statement of activities. Receivables and payables resulting from interfund loans are classified as “advances to/from other funds”. These amounts are eliminated on the government-wide statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

> ***Nonspendable*** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted into cash.
>
> ***Restricted –*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned **–** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted for other purposes represents balances of State and Federal grants in Special Revenue Funds. Of the City's $5,378,680 restricted net position, none is restricted by enabling legislation.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

(1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
(3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily and that the term of the agreement must not exceed thirty days;
(4) Bonds and other obligations of the State of Ohio;
(5) No-load money market funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
(6) The State Treasury Assets Reserve of Ohio (STAR Ohio); and

The City may also invest any monies not required to be used for a period of six months or more in the following:

(1) Bonds of the State of Ohio;
(2) Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is not default of principal, interest or coupons; and
(3) Obligations of the City.

NOTE 3 - DEPOSITS AND INVESTMENTS – ***continued***

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements,* and amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Financial institutions participating in the Ohio Pooled Collateral System (OPCS), a centralized collateral system monitored by the State Treasurer's Office, must pledge eligible securities equal to at least 102% of the carrying value of all public deposits held by each institution. Financial institutions choosing not to participate in the OPCS must pledge eligible securities equal to at least 105% of the carrying value of all the public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the City's deposits was $3,470,974 and the bank balance was $3,524,256. The City's bank balance was covered by FDIC and collateralized with securities held by the pledging financial institution's trust department or agent, respectively.

NOTE 3 - DEPOSITS AND INVESTMENTS – *continued*

Investments: The City's investments at December 31, 2019 are summarized as follows:

	Fair Value	Weighted Average Maturity (Years)	Concentration of Credit Risk
FFCB	$ 250,002	0.42	7.32%
FHLMC	150,153	2.16	4.40%
FHLB	581,356	1.54	17.02%
Negotiable Certificates of Deposit	1,870,865	3.07	54.76%
STAR Ohio	30,423	0.15	0.89%
Series HH Bonds	4,000	-	0.12%
Money Markets	304,846	0.07	8.92%
US Treasury	224,385	1.03	6.57%
	$ 3,416,030		100.00%

Credit Risk: It is the City's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality of the top 2 ratings by nationally recognized statistical rating organizations. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investments in U.S. Agency obligations were rated AA+ by Standard & Poor's and Aaa by Moody's. The City's investments in the U.S. Money Market Funds and STAR Ohio were rated AAAm by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment securities are registered in the name of the City. The City's investment policy does not address custodial credit risk.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the City manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

NOTE 3 - DEPOSITS AND INVESTMENTS - ***continued***

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers. The City has the following recurring fair value measurements as of December 31, 2019:

		Fair Value Measurements Using:		
Investments by Fair Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable CDs	$ 1,870,865	$ -	$ 1,870,865	$ -
U.S. Agency Obligations	981,511	-	981,511	-
U.S. Treasuries	224,385	224,385	-	-
Total	$ 3,076,761	$ 224,385	$ 2,852,376	$ -

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2019 on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property current is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes, which became a lien December 31, 2018 are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The Fayette County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Washington Court House. The County Auditor periodically remits to the City its portion of the taxes collected. The assessed value upon which the 2019 taxes were collected was $232,982,540. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2019 was $2.30 per $1,000 of assessed valuation. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Accrued property taxes receivable represents delinquent taxes outstanding and real tangible personal and public utility taxes which were measurable as of December 31, 2019. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2019 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

NOTE 5 - INCOME TAX

The City levies a municipal income tax of 1.45% on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are used for general fund operations, permanent improvements, and the safety building, as determined by the Council.

Beginning on January 1, 2016, the income tax rate increased to 1.95%, after the voters approved an additional 0.5% income tax for purposes of maintaining and operating cemeteries, maintaining fire protection, police protection, detention facilities, emergency medical services, general construction, reconstruction, resurfacing and repairing streets, roads and bridges. Additionally, 4% of the 0.5% increase is restricted for economic development and is accounted for in an economic development fund. The remaining 96% of the 0.5% increase is accounted for in an income tax levy fund.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	$ 1,078,475	$ 432,994	$ -	$ 1,511,469
Construction in progress	436,920	317,056	(666,894)	87,082
Total Nondepreciable Capital Assets	1,515,395	750,050	(666,894)	1,598,551
Depreciable Capital Assets:				
Land Improvements	552,938	158,457	-	711,395
Buildings and Improvements	9,137,063	21,130	-	9,158,193
Equipment and Vehicles	6,459,092	169,090	(229,174)	6,399,008
Infrastructure	51,257,809	666,894	-	51,924,703
Total Depreciable Capital Assets	67,406,902	1,015,571	(229,174)	68,193,299
Accumulated Depreciation:				
Land Improvements	(522,579)	(21,353)	-	(543,932)
Buildings and Improvements	(2,230,197)	(204,003)	-	(2,434,200)
Equipment and Vehicles	(5,127,363)	(311,348)	223,749	(5,214,962)
Infrastructure	(48,523,824)	(652,724)	-	(49,176,548)
Total Accumulated Depreciation	(56,403,963)	(1,189,428)	223,749	(57,369,642)
Total Govt Activities Capital Assets, Net	$ 12,518,334	$ 576,193	$ (672,319)	$ 12,422,208

NOTE 6 - CAPITAL ASSETS - ***continued***

Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	$ 421,893
Leisure Time Activities	21,332
Public Health	13,150
Transportation	702,578
General Government	30,475
Total Depreciation Expense	$ 1,189,428

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Business Type Activities:				
Nondepreciable Capital Assets:				
Land	$ 1,198,935	$ -	$ -	$ 1,198,935
Construction in progress	2,269,332	2,372,770	-	4,642,102
Total Nondepreciable Capital Assets	3,468,267	2,372,770	-	5,841,037
Depreciable Capital Assets:				
Land Improvements	659,819	-	-	659,819
Buildings and Improvements	26,565,018	-	-	26,565,018
Equipment and Vehicles	3,333,799	182,439	(59,696)	3,456,542
Infrastructure	24,266,106	-	-	24,266,106
Total Depreciable Capital Assets	54,824,742	182,439	(59,696)	54,947,485
Accumulated Depreciation:				
Land Improvements	(640,060)	(1,198)	-	(641,258)
Buildings and Improvements	(11,453,501)	(445,538)	-	(11,899,039)
Equipment and Vehicles	(2,911,238)	(61,546)	59,696	(2,913,088)
Infrastructure	(9,232,306)	(405,597)	-	(9,637,903)
Total Accumulated Depreciation	(24,237,105)	(913,879)	59,696	(25,091,288)
Total Bus. Activities Capital Assets, Net	$ 34,055,904	$ 1,641,330	$ -	$ 35,697,234

Depreciation expense was charged to segments as follows:

Water	$ 315,761
Sewer	598,118
Total Depreciation Expense	$ 913,879

NOTE 7 - INTERFUND TRANSACTIONS

The City created an advance of $687,798 between the Sewer and Water Funds to have the Water Fund repay revenue that should have been recorded in the Sewer Fund. The loan will be repaid over fifteen years beginning in 2017. The advance balance at December 31, 2019 was $550,236.

In 2019, the General Fund advanced $500,000 to the Water Fund for water system projects. The loan will be repaid over four years beginning in 2020. The advance balance at December 31, 2019 was $500,000**.**

NOTE 8 - LONG-TERM LIABILITIES

The changes in the City's long-term liabilities for the year ended December 31, 2019 were as follows:

	Balance at 1/1/19	Issued	Retired	Balance at 12/31/19	Amount Due Within One Year
Governmental Activities:					
Various Purpose 2011					
Refunding GO Bonds:					
Road Way Improvement	$ 515,000	$ -	$ (35,000)	$ 480,000	$ 35,000
Refunding	175,000	-	(45,000)	130,000	40,000
Fire Apparatus	635,000	-	(45,000)	590,000	45,000
Premium on Series 2011	20,018	-	(1,667)	18,351	-
Various Purpose 2016					
Refunding GO Bonds:					
Note Refinancing	1,045,000	-	(110,000)	935,000	115,000
Safety Services	3,655,000	-	(455,000)	3,200,000	475,000
Tax Increment Financing	2,150,000	-	(140,000)	2,010,000	140,000
Premium on Series 2016	829,871	-	(59,277)	770,594	-
Direct Placement:					
Real Estate Acquisition					
2019 GO Bonds	-	450,000	-	450,000	15,000
Capital Leases	395,747	-	(44,896)	350,851	46,132
Direct Borrowing:					
OPWC Loans	526,364	50,000	(17,383)	558,981	17,383
Compensated Absences Payable	1,043,189	609,180	(455,907)	1,196,462	266,005
Net Pension Liability:					
OPERS	2,684,723	2,304,764	-	4,989,487	-
OP&F	5,435,588	2,081,558	-	7,517,146	-
Net OPEB Liability:					
OPERS	1,759,594	488,832	-	2,248,426	-
OP&F	5,017,927	-	(4,179,288)	838,639	-
Total Governmental Activities	$ 25,888,021	$ 5,984,334	$ (5,588,418)	$ 26,283,937	$ 1,194,520

On March 8, 2011, the City issued $2,135,000 various purpose refunding general obligation bonds. The proceeds of the issue included $1,660,000 to refinance bond anticipation notes and related costs issued to pay for roadway improvements and fire equipment and $475,000 to currently refund the outstanding Series 1997 Capital Improvement Bonds. The interest rate on the Series 2011 bonds range from 2.0% to 5.0% and will mature fully in 2030.

NOTE 8 - LONG-TERM LIABILITIES – *continued*

On April 27, 2016, the City issued $8,400,000 in various purpose refunding general obligation bonds. The proceeds of the issue were used to advance refund $8,475,000 in Series 2007 various purpose general obligation bonds. As a result, the Series 2007 bonds were considered defeased and the liability for these bonds had been removed from the statement of net position. The interest rate on the Series 2016 bonds range from 2.0% to 4.0% and will fully mature in 2032.

On May 24, 2019, the City issued $450,000 in real estate acquisition bonds that were directly placed with First Commonwealth Bank. The proceeds were used to finance the purchase of land near an industrial park for future use of access and development. The interest rate on the Series 2019 bonds were 3.89% and will fully mature in 2039.

General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged. General obligation bonds payable will be paid from the Permanent Improvement Fund, the Safety Building Improvement Fund, and various TIF Funds.

Compensated absences, net pension liability and net OPEB liability will be paid by the fund which primarily pays the employee's salary.

The City periodically receives interest-free direct borrowing loans from the Ohio Public Works Commission (OPWC). In 2009, the OPWC issued a loan of $238,172 for traffic signal upgrades that will be repaid in 2032. In 2014, the OPWC issued a loan of $622,450 for Leesburg Avenue reconstruction that will be repaid in 2044. Due to the Leesburg Avenue project being completed under budget, the City received a credit from OPWC on the loan that was applied as a loan forgiveness payment during 2017. In 2018, the OPWC approved a loan of up to $1,022,286 for Washington Avenue reconstruction. As of December 31, 2019, $267,324 has been drawn.

	Balance at 1/1/19	Issued	Retired	Balance at 12/31/19	Amount Due Within One Year
Business Type Activities:					
Water System Bonds:					
Series 2012 Revenue Refunding	$ 770,000	$ -	$ (770,000)	$ -	$ -
Premium on Series 2012	12,375	-	(12,375)	-	-
Direct Borrowing:					
OWDA Sewer Loan 2563	1,338,967	-	(431,232)	907,735	446,150
OWDA Water Loan 3258	653,814	-	(253,060)	400,754	264,264
OWDA Sewer Loan 7594	2,287,809	130,667	(2,418,476)	-	-
OWDA Sewer Loan 8663	-	3,147,889	(39,300)	3,108,589	-
Compensated Absences Payable	254,501	239,998	(166,096)	328,403	83,545
Net Pension Liability:					
OPERS	1,510,156	1,176,492	-	2,686,648	-
Net OPEB Liability:					
OPERS	989,772	220,919	-	1,210,691	-
Total Business Type Activities	$ 7,817,394	$ 4,915,965	$ (4,090,539)	$ 8,642,820	$ 793,959

In March 2012, the City issued $5,180,000 in water system revenue refunding bonds. The proceeds were used to currently refund the outstanding Series 2003 water system revenue refunding bonds. These bonds matured during 2019.

NOTE 8 - LONG-TERM LIABILITIES – ***continued***

The Ohio Water Development Authority (OWDA) direct borrowing loans were made for the purpose of improving the City's water and wastewater treatment facilities. Property and revenue of the Water and Sewer Funds have been pledged to repay these debts. The loans mature in 2021 and carry interest rates of 3.43% and 4.38%. Effective January 1, 2016, the City received an interest rate buy-down from OWDA to reduce the interest rate on these two loans to 3%. Each of these OWDA loans will be repaid from Water Fund and Sewer Fund revenues.

In 2017, the City an OWDA loan for the wastewater treatment improvements design. The total amount drawn, plus capitalized interest, was $2,287,809. In 2019, this planning loan was closed out and consolidated with the new project loan. As of December 31, 2019, $3,108,589 has been drawn.

In connection with the OWDA loans listed above, the City has pledged future customer revenues of the Water and Sewer Funds, net of specified operating expenses and net of debt service requirements on revenue bonds (which have first priority and a lien on net income available for debt service), to repay this debt. The loans are payable, through their final maturities, from net revenues applicable to the Water and Sewer Funds. Total interest and principal remaining to be paid on these loans, excluding the 2019 wastewater treatment improvement loan, since it's still in progress, is $1,365,419.

Principal and interest requirements to retire the City's governmental activities' outstanding notes and bonds as of December 31, 2019, are as follows:

	Series 2011 Bonds		Series 2016 Bonds		*Direct Placement* Series 2019 Bonds		*Direct Borrowing* OPWC
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2020	$ 120,000	$ 54,085	$ 730,000	$ 238,800	$ 15,000	$ 17,505	$ 17,383
2021	130,000	49,885	765,000	209,600	15,000	16,922	17,383
2022	90,000	44,360	790,000	179,000	15,000	16,338	17,383
2023	90,000	40,535	810,000	154,400	15,000	15,755	17,383
2024	100,000	36,800	850,000	122,000	20,000	15,171	17,383
2025-2029	545,000	114,900	1,730,000	237,200	100,000	64,185	86,911
2030-2034	125,000	6,250	470,000	38,200	125,000	42,791	63,093
2035-2039	-	-	-	-	145,000	17,311	27,369
2040-2044	-	-	-	-	-	-	27,369
Total	$ 1,200,000	$ 346,815	$6,145,000	$ 1,179,200	$ 450,000	$ 205,978	$ 291,657

The OPWC loan amortization excludes the Washington Avenue reconstruction loan balance, since the project is ongoing. It will be included once the loan project is completed and the loan amortization is finalized.

NOTE 8 - LONG-TERM LIABILITIES – *continued*

Principal and interest requirements to retire the City's business-type activities' outstanding loans as of December 31, 2019, are as follows:

	Direct Borrowing OWDA Loans	
	Principal	Interest*
2020	$ 710,414	$ 42,033
2021	598,075	14,897
Total	$ 1,308,489	$ 56,930

* The City received an interest rate buy-down from OWDA to reduce the interest rate on the outstanding OWDA loans to 3.0% effective January 1, 2016. OWDA interest payments reported above are reported at gross.

The OWDA loans amortization excludes the 2019 wastewater treatment improvement loan balance, since the project is ongoing. It will be included once the loan project is completed and the loan amortization is finalized.

NOTE 9 - CAPITAL LEASE

In 2016, the City entered into a lease agreement for fire equipment of $487,000. This lease obligation meets the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the governmental funds.

The following is a schedule of the future minimum lease payments for the capital lease, and the present value of the future minimum lease payments at December 31, 2019:

Year Ending December 31,	
2020	$ 55,791
2021	55,791
2022	55,791
2023	55,791
2024	55,791
Thereafter	111,582
Total Future Minimum Lease Payments	390,537
Less: Amount Representing Interest	39,686
Present Value of Future Minimum Lease Payments	$ 350,851

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of Service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $540,445 for 2019. Of this amount, $71,457 is reported as an intergovernmental payable.

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

City full-time police and firefighters participate in the Ohio Police & Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code (ORC). OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living adjustment (COLA). The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

NOTE 10 - DEFINED BENEFIT PENSION PLANS – ***continued***

Funding Policy—The ORC provides statutory authority for member and employer contributions as follows:

	Police		Firefighters	
2019 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%
2019 Actual Contribution Rates				
Employer:				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50	%	0.50	%
Total Employer	19.50	%	24.00	%
Employee	12.25	%	12.25	%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $472,035 for 2019. Of this amount, $54,075 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportionate Share of Net Pension Liability	$ 7,676,135	$ 7,517,146	$ 15,193,281
Proportion of Net Pension Liability	0.02803%	0.09209%	
Change in Proportion	0.00129%	0.00353%	
Pension Expense	$ 1,695,338	$ 1,005,601	$ 2,700,939

NOTE 10 - DEFINED BENEFIT PENSION PLANS – ***continued***

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 354	$ 308,849	$ 309,203
Net differences between projected and actual investment earnings	1,041,866	926,106	1,967,972
Change in assumptions	668,226	199,289	867,515
Change in proportionate share and difference in employer contributions	151,176	329,365	480,541
City contributions subsequent to the measurement date	540,445	472,035	1,012,480
	$ 2,402,067	$ 2,235,644	$ 4,637,711
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 100,792	$ 7,019	$ 107,811
Change in proportionate share and difference in employer contributions	6,395	265,521	271,916
	$ 107,187	$ 272,540	$ 379,727

$1,012,480 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	$ 767,694	$ 439,564	$ 1,207,258
2021	405,542	237,053	642,595
2022	96,654	282,437	379,091
2023	484,545	492,137	976,682
2024	-	39,878	39,878
	$ 1,754,435	$ 1,491,069	$ 3,245,504

NOTE 10 - DEFINED BENEFIT PENSION PLANS – ***continued***

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan.

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other Investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate of 7.20%	1% Increase (8.20%)
City's proportionate share of the net pension liability	$ 11,339,872	$ 7,676,135	$ 4,631,522

NOTE 10 - DEFINED BENEFIT PENSION PLANS – ***continued***

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determine amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation date	January 1, 2018 with actuarial liabilities rolled forward to December 31, 2018
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% to 10.50%
Payroll growth	2.75% plus productivity increase rate of 0.5%
Inflation assumptions	2.75%
Cost of living adjustments	3.0% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3.0%.

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

NOTE 10 - DEFINED BENEFIT PENSION PLANS – ***continued***

The long-term expected rate of return on pension plan investments was determine using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.8%
Domestic equity	16.0%	5.50%
Non-U.S. equity	16.0%	5.90%
Private markets	8.0%	8.40%
Core fixed income*	23.0%	2.60%
High yield fixed income	7.0%	4.80%
Private credit	5.0%	7.50%
U.S. inflation linked bonds*	17.0%	2.30%
Master limited partnerships	8.0%	6.40%
Real assets	8.0%	7.00%
Private real estate	12.0%	6.10%
	120.0%	

*Note: Assumptions are geometric. * Levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate. The total pension liability was calculated using the discount rate of 8.0%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

NOTE 10 - DEFINED BENEFIT PENSION PLANS – *continued*

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate of 8.00%	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 9,880,770	$ 7,517,146	$ 5,541,996

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trends and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annual required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Plan Description—Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy—The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0% of earnable. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0%.

NOTE 11 - DEFINED BENEFIT OPEB PLANS – ***continued***

The City's contractually required contributions to OPERS was $2,255 for 2019.

Plan Description—Ohio Police & Fire Pension Fund (OP&F)

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B premiums to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an OPEB as described in GASB Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy—The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of the employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

NOTE 11 - DEFINED BENEFIT OPEB PLANS – ***continued***

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was $11,423 for 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018 and was determined by rolling forward the total OPEB liability as of January 1, 2018 to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate Share of Net OPEB Liability	$ 3,459,117	$ 838,639	$ 4,297,756
Proportion of Net OPEB Liability	0.02653%	0.09209%	
Change in Proportion	0.00121%	0.00353%	
OPEB Expense	$ 358,825	$ (4,078,974)	$ (3,720,149)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,171	$ -	$ 1,171
Net differences between projected and actual investment earnings	158,581	28,390	186,971
Change in assumptions	111,526	434,712	546,238
Change in proportionate share and difference in employer contributions	90,383	295,010	385,393
City contributions subsequent to the measurement date	2,255	11,423	13,678
	$ 363,916	$ 769,535	$ 1,133,451

NOTE 11 - DEFINED BENEFIT OPEB PLANS – ***continued***

	OPERS	OP&F	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 9,385	$ 22,467	$ 31,852
Change in assumptions	-	232,177	232,177
	$ 9,385	$ 254,644	$ 264,029

$13,678 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	$ 169,344	$ 86,767	$ 256,111
2021	75,594	86,767	162,361
2022	27,450	86,767	114,217
2023	79,888	95,353	175,241
2024	-	81,816	81,816
Thereafter	-	65,998	65,998
	$ 352,276	$ 503,468	$ 855,744

Actuarial Assumptions—OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

NOTE 11 - DEFINED BENEFIT OPEB PLANS – ***continued***

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement period	3.96%
Prior measurement period	3.85%
Investment rate of return:	
Current measurement period	6.00%
Prior measurement period	6.50%
Municipal bond rate:	
Current measurement period	3.71%
Prior measurement period	3.31%
Health care cost trend rate:	
Current measurement period	10.0% initial, 3.25% ultimate in 2029
Prior measurement period	7.5% initial, 3.25% ultimate in 2028
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	17.00%	5.57%
Total	100.00%	5.16%

Discount Rate. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.96%) or 1.0% point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate of 3.96%	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	$ 4,425,377	$ 3,459,117	$ 2,690,513

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 3,324,870	$ 3,459,117	$ 3,613,528

Actuarial Assumptions—OP&F

OP&F's total OPEB liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018 and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefit for financial purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Key Methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	Inflation rate of 2.75%, plus productivity increase rate of 0.5%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Municipal bond rate:	
Current measurement date	4.13%
Prior measurement date	3.16%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

NOTE 11 - DEFINED BENEFIT OPEB PLANS – ***continued***

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	0.80%
Domestic equity	16.0%	5.50%
Non-U.S. equity	16.0%	5.90%
Private markets	8.0%	8.40%
Core fixed income*	23.0%	2.60%
High yield fixed income	7.0%	4.80%
Private credit	5.0%	7.50%
U.S. inflation linked bonds*	17.0%	2.30%
Master limited partnerships	8.0%	6.40%
Real assets	8.0%	7.00%
Private real estate	12.0%	6.10%
Total	120.00%	

*Note: Assumptions are geometric. * Levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate. Total OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 4.66% at December 31, 2018 and 3.24% at December 31, 2017.

NOTE 11 - DEFINED BENEFIT OPEB PLANS – *continued*

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (3.66%) and 1% point higher (5.66%) than the current discount rate.

	1% Decrease (3.66%)	Current Discount Rate of 4.66%	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	$ 1,021,691	$ 838,639	$ 684,982

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

In accordance with GASB Statement No. 16, the City accrues a liability for sick leave and vacation when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Accumulated Unpaid Vacation
City employees earn vacation leave at varying rates based upon length of service. Vacation leave may accumulate up to a maximum of two years for non-salaried employees and three years for salaried employees. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

Accumulated Unpaid Sick Leave
City employees earn sick leave at varying rates based upon length of. City employees who have ten years of service who have sick leave accumulated, receive payment upon retirement at a rate of one hour for each hour of accumulated and unused sick leave, to a maximum of 960 hours.

A liability has been recognized in the accompanying financial statements for a portion of the sick leave hours of those employees who have ten years of service and are age 50 or older, or have eighteen years with local government employment as well as other employees who are expected to become eligible in the future to receive such payments.

Health Care Benefits

The City has elected to provide employee medical/surgical and prescription drug benefits through United Healthcare. The employees share the cost of the monthly premium with the City.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2019, the City contracted with various commercial carriers for property, auto, crime, and liability insurance as well as public official bonds.

The City maintains comprehensive insurance coverage for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Worker's compensation benefits are provided through the State Bureau of Workers' Compensation. The City pays all public officials' bonds by statute.

The City has not incurred any significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 14 - RELATED ORGANIZATION

The Carnegie Public Library is a related organization of the City. The City is not financially accountable for this fiscally independent organization. The imposition of will or financial benefit/burden relationship criteria set forth by GASB does not apply and the City's accountability is limited to the appointment of all members to the governing board of the Library.

NOTE 15 - CONTINGENT LIABILITIES

Litigation

The City is of the opinion that ultimate disposition of any claims and legal proceedings will not have material effect on the financial condition of the City.

Federal and State Grants

The City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes all expenditures meet grant qualifications.

NOTE 16 - COMMITMENTS

As discussed previously, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances outstanding was as follows:

General Fund	$	33,921
Income Tax Levy		10,003
Permanent Improvement		27,387
Nonmajor Governmental Funds		20,026
	$	91,337

NOTE 17 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and nonmajor governmental funds are presented below:

Fund Balances	General Fund	Income Tax Levy	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaids	$ 23,876	$ -	$ -	$ 4,246	$ 28,122
Advances to other funds	500,000	-	-	-	500,000
Unclaimed funds	11,645	-	-	-	11,645
Inventory	-	-	-	71,726	71,726
Total Nonspendable	535,521	-	-	75,972	611,493
Restricted for					
Police	-	97,032	-	32,869	129,901
Fire	-	69,915	-	18,493	88,408
Streets	-	19,373	-	528,128	547,501
Cemetery	-	37,663	-	422,847	460,510
Economic development	-	-	-	35,787	35,787
Community development	-	-	-	23,186	23,186
Municipal court	-	-	-	464,110	464,110
Debt service	-	-	135,845	1,080,214	1,216,059
Capital projects	-	-	493,755	825,012	1,318,767
Other purposes	-	4,092	-	136,589	140,681
Total Restricted	-	228,075	629,600	3,567,235	4,424,910
Committed to					
Bridge maintenance	-	-	-	14,063	14,063
Assigned to					
Budget resource	354,089	-	-	-	354,089
Other	27,578	-	-	-	27,578
Total Assigned	381,667	-	-	-	381,667
Unassigned	720,120	-	-	-	720,120
Total Fund Balance	$ 1,637,308	$ 228,075	$ 629,600	$ 3,657,270	$ 6,152,253

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

During the year, the City implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*.

Statement No. 84 established criteria for identifying fiduciary activities for all state and local governments. This Statement also requires the presentation of a statement of fiduciary net position and a statement of changes in fiduciary net position.

Statement No. 88 requires disclosures on direct borrowings and direct placements. This Statement also refines debt for purposes of disclosures and requires additional essential information related to be debt to be disclosed, including unused lines of credit, assets pledged for collateral and certain debt agreement terms. The requirements of this Statement have been incorporated into the City's long-term liabilities note disclosure.

The implementation of Statement No. 84 had the following effect on fund balances and net position as reported December 31, 2018:

	General	Nonmajor Governmental Funds	Private-Purpose Trust Fund	Governmental Activities
Fund Balances/Net Position				
at December 31, 2018	$ 1,350,190	$ 3,483,085	$ 16,591	$ (4,307,738)
Fund reclassification adjustments	14,990	68,074	(16,591)	83,064
Restated Fund Balances/Net Position				
at December 31, 2018	$ 1,365,180	$ 3,551,159	$ -	$ (4,224,674)

NOTE 19 - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and ensuing emergency measurers will impact subsequent periods of the City. The investments of the pension and other employee benefit plans in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of those losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WASHINGTON COURT HOUSE, OHIO
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Six Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.03009%	$ 3,547,573	$ 3,422,746	103.65%	86.36%
2015	0.03009%	3,629,552	3,689,433	98.38%	86.45%
2016	0.02842%	4,922,327	3,541,017	139.01%	81.08%
2017	0.02659%	6,037,915	3,443,633	175.34%	77.25%
2018	0.02674%	4,194,879	3,445,492	121.75%	84.66%
2019	0.02803%	7,676,135	3,784,257	202.84%	74.70%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

Notes to Schedule:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

CITY OF WASHINGTON COURT HOUSE, OHIO
Required Supplementary Information
Schedule of City Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 444,957	$ (444,957)	$ -	$ 3,422,746	13.00%
2014	442,732	(442,732)	-	3,689,433	12.00%
2015	424,922	(424,922)	-	3,541,017	12.00%
2016	413,236	(413,236)	-	3,443,633	12.00%
2017	447,914	(447,914)	-	3,445,492	13.00%
2018	529,796	(529,796)	-	3,784,257	14.00%
2019	540,445	(540,445)	-	3,860,321	14.00%

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURT HOUSE, OHIO
Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Six Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.09454%	$ 4,604,249	$ 2,485,902	185.21%	73.00%
2015	0.09454%	4,897,411	1,943,178	252.03%	71.71%
2016	0.09350%	6,015,112	1,950,617	308.37%	66.77%
2017	0.08452%	5,353,435	1,913,634	279.75%	68.36%
2018	0.08856%	5,435,588	2,037,043	266.84%	70.91%
2019	0.09209%	7,517,146	2,254,674	333.40%	63.07%

(1) Information prior to 2014 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

Notes to Schedule:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF WASHINGTON COURT HOUSE, OHIO
Required Supplementary Information
Schedule of City Pension Contributions
Ohio Police and Fire Pension Fund
Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 424,592	$ (424,592)	$ -	$ 2,485,902	17.08%
2014	395,631	(395,631)	-	1,943,178	20.36%
2015	391,879	(391,879)	-	1,950,617	20.09%
2016	384,449	(384,449)	-	1,913,634	20.09%
2017	409,242	(409,242)	-	2,037,043	20.09%
2018	452,964	(452,964)	-	2,254,674	20.09%
2019	472,035	(472,035)	-	2,349,602	20.09%

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

CITY OF WASHINGTON COURT HOUSE, OHIO
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Three Years (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.02524%	$ 2,548,992	$ 3,443,633	74.02%	54.05%
2018	0.02532%	2,749,366	3,445,492	79.80%	54.14%
2019	0.02653%	3,459,117	3,784,257	91.41%	46.33%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

CITY OF WASHINGTON COURT HOUSE, OHIO
Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 34,227	$ (34,227)	$ -	$ 3,422,746	1.00%
2014	73,789	(73,789)	-	3,689,433	2.00%
2015	70,820	(70,820)	-	3,541,017	2.00%
2016	70,738	(70,738)	-	3,443,633	2.00%
2017	34,876	(34,876)	-	3,445,492	1.00%
2018*	2,211	(2,211)	-	3,784,257	0.06%
2019	2,255	(2,255)	-	3,860,321	0.06%

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

** Updated based on revised information.*

CITY OF WASHINGTON COURT HOUSE, OHIO
Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Three Years (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.08452%	$ 4,011,992	$ 1,913,634	209.65%	15.96%
2018	0.08856%	5,017,927	2,037,043	246.33%	14.13%
2019	0.09209%	838,639	2,254,674	37.20%	46.57%

(1) Information prior to 2017 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

Notes to Schedule:

Change in assumptions. In 2018, the single discount rate changed from 3.79% to 3.24%.

In 2019, the single discount rate changed from 3.24% to 4.66%.

Change in benefit terms. Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model, depositing stipends into individual health reimbursements accounts that retiree will use to be reimbursed for health care expenses.

CITY OF WASHINGTON COURT HOUSE, OHIO
Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Police and Fire Pension Fund
Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 82,013	$ (82,013)	$ -	$ 2,485,902	3.30%
2014	10,261	(10,261)	-	1,943,178	0.53%
2015	9,414	(9,414)	-	1,950,617	0.48%
2016	9,291	(9,291)	-	1,913,634	0.49%
2017	9,916	(9,916)	-	2,037,043	0.49%
2018	10,958	(10,958)	-	2,254,674	0.49%
2019	11,423	(11,423)	-	2,349,602	0.49%

(1) Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

City of Washington Court House
Fayette County
105 N. Main Street
Washington Court House, Ohio 43160

Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Washington Court House, Fayette County, Ohio, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 28, 2020, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods of the City.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist

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www.bhmcpagroup.com

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
July 28, 2020

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WASHINGTON COURT HOUSE

FAYETTE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 2/23/2021

88 East Broad Street, Columbus, Ohio 43215
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